

CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS

The government's proposals for new school funding arrangements to be introduced from April 2006 were first announced in the Five Year Strategy for Children and Learners, published in July 2004. The Strategy proposed:

- A new ring-fenced grant for school funding from DfES to local authorities.
- Three year budgets for all maintained schools, geared to pupil numbers and with a guaranteed minimum increase each year for every school.
- A new single standards grant, simplifying and streamlining current standards-related funding streams.

Since July the Department has been working with national partners, including representatives of headteachers, school governors and local authorities, on detailed proposals for delivering these commitments. These proposals are now set out in the school funding consultation document which was launched on 17 February 2005.

Summary of Proposals

The proposals contained in the consultation document include three broad changes to the current school funding system to be introduced from April 2006.

A change to the way central government provides funding for schools to local authorities

From 2006-07, funding for schools will be provided through a new grant (the Dedicated Schools Grant, or DSG) from the Department for Education and Skills to each local authority, instead of through general local government funding. Grant allocations will cover a three year period (or two years in the years between Spending Reviews), will be provided on both a financial and academic year basis, and will be updated as pupil numbers change. For schools the benefits will include the possibility of three-year budgeting and the guarantee of receiving nationally planned increases in school funding. The key features of the DSG will be:

- It will cover the same funding as the current Schools Formula Spending Shares (SFSS) and will be distributed according to essentially the same formula, though with some minor technical changes. It will include funding delegated to individual schools and funding for other pupil provision which is retained centrally by the local authority.
- Transitional arrangements will be put in place to ensure that no authority receives less than its current spending on schools, and every authority receives a reasonable increase in grant each year.
- The grant cannot be used for any purpose other than school funding. The existing "passporting" regime will no longer be needed.

- It will not change local authorities' responsibilities for distributing funding to schools according to local needs and priorities.

Three year budgets for schools aligned to the academic year, to support effective long-term planning

With three year budgets, schools will have greater certainty and predictability in their funding, and this will enable more effective, longer term financial planning and management which can be integrated with school improvement planning.

We are proposing that three year budgets for schools will be updated as pupil numbers change so that funding reflects the number of pupils actually in school in the year in question. The consultation paper asks for views on whether other data used to calculate schools' budgets should also be updated from year to year.

Streamlining of current standards-related grants from DfES to schools

A new Single Standards Grant will bring together current Standards Fund and other grants to schools. Schools will be free to spend the grant on their own improvement priorities, as discussed with their School Improvement Partner. This will give schools more discretion over the use of the new grant with fewer conditions and reporting requirements so that they can focus on pupil level outcomes.

The Single Standards Grant will be distributed through a new formula introduced in two stages and with protection to ensure a stable transition to the new arrangements for all schools.

We propose to retain some separate targeted and ring-fenced grants to schools such as Targeted Improvement Grant and Ethnic Minorities Achievement Grant. The consultation document asks for views on whether the existing School Standards Grant should be merged into the new Single Standards Grant.

About the consultation:

The consultation period will run for 12 weeks until 13 May 2005.

If you would like a copy of either of the main consultation document or of the summary which is available, they can be downloaded shortly from www.dfes.gov.uk/consultations. Alternatively, hard copies can be requested by e-mail from SchoolFunding.Consultation@dfes.gsi.gov.uk, or by telephone to 0845 602 2260.